

HEALTH SERVICES AND DEVELOPMENT AGENCY

AUDIT COMMITTEE MINUTES

NOVEMBER 16, 2011

COMMITTEE MEMBERS PRESENT

Burns, Charlotte, Chair
Johnson, D. Lynn
Jordan, Lisa, designee for the Commissioner of Commerce and Insurance
Lammert, Gregory
Southwick, William

AGENCY MEMBERS PRESENT

Koella, Carl, III, Chair
Doolittle, Robert S.
Haik, Barrett, M.D.
Wright, James
Gaither, Keith, designee for the TennCare Director
Weaver, Faye, designee for the Comptroller of the Treasury

STAFF PRESENT

Hill, Melanie, Executive Director
Bobbitt, Melissa, Administrative Services Assistant III
Christoffersen, Jim, General Counsel
Craighead, Alecia, Statistical Analyst III
Farber, Mark, Assistant Executive Director
Finchum, Rhonda, Director, Administrative Services
Wells, Phil, Health Planner III

Charlotte Burns, Chair, called the meeting to order in Meeting Room 12 of Legislative Plaza, Nashville, Tennessee. Ms. Burns announced that Ms. Lisa Williams, Auditor, State Comptroller's Office was present. Ms. Burns asked Ms. Hill to discuss and explain the agenda items.

Charter Review

The Charter was last updated in 2009 to indicate "if in the unlikely event that fraud was detected." Members reviewed the Charter and no changes were suggested.

I. Risk Assessment Review

- A. Financial Integrity Act Review —The form letter that will accompany the FIA documents contains an incorrect TCA citation. The citation on the second line should be TCA 9-18 instead of 9-8.

- B. Agency-Specific Assessment – Shared Services Solutions assists the Agency in specific duties such as providing audit services for an annual report of controls, risks and current data, and also the objectives such as procurement, accounts receivable and accounts payable. Shared Services now provides all procurement procedures for the HSDA. Ms. Hill directed members' attention to the Code of Conduct and noted that the Conflict of Interest policy is reviewed and signed annually by Agency members and staff.

No changes were suggested.

II. Agency Internal Controls Report

- A. Report on Deposit Timeliness – Alan Staley, CPA, Shared Services Solutions performed a recent audit on the Agency and found no deficiencies. Mr. Koella commended staff for having one hundred percent (100%) of the deposits reconciled timely.

IV. Standards of Conduct Review

- A. Review Fraud Letter – Agency member's attention was directed to the Fraud Letter reminder that Ms. Hill sent to Agency staff. Ms. Burns recommended that the Audit Committee send a similar letter to Agency members and the Executive Director.

V. Other Business

- A. Sunset Audit Update – Ms. Hill reviewed the letter from Mr. Arthur Hayes, Director of State Audit, Comptroller's Office, which indicated that the focus of the sunset performance audit was to determine whether the HSDA followed statutory and rule requirements for CON applications heard in fiscal year 2011 and to obtain a detailed description of the data sources used to make decisions and the reliability of testing conducted on that data.

Ms. Lisa Williams, Auditor, State Comptroller's Office, provided a brief overview of the audit process and the follow-up procedures. Ms. Williams will provide a draft copy of the audit findings/recommendations at the conclusion of the review to the HSDA for comments and questions. Submitted comments and questions will be included with the report that will be publicly released and presented at a public hearing to the appropriate Government Operations Committee's (GOC) subcommittee where she will present the report. The subcommittee will make recommendations then to the GOC.

Mr. Southwick noted that one of the functions of an audit committee was the review of financial statements and asked why none was included. Ms. Hill explained that the HSDA did not prepare financial statements and that was one of the reasons that the HSDA had requested an exemption from the audit committee process which was later denied by Comptroller John Morgan.

Ms. Hill noted that the Audit Committee would meet again when the audit findings/recommendations were received.

VI. Current Reports

Minutes

Mr. Southwick moved to approve the minutes of the August 25, 2010 meeting. Ms. Jordan seconded. The motion carried by Unanimous Voice Vote [5-0-0] **APPROVED.**

Adjournment

Melanie M. Hill, Executive Director
MMH/MAB